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SEMIANNUAL REPORT ON ACTIONS UNDER THE INTERNATIONAL EMERGENCY ECONOMIC POWERS ACT

COMPLETED

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MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON DEVELOPMENTS SINCE SEPTEMBER 22, 1981, CONCERNING THE DECLARATION OF NATIONAL EMERGENCY WITH RESPECT TO IRAN, PURSUANT TO SECTION 204(c) OF PUBLIC LAW 95-223

MAY 6, 1982.—Message and accompanying papers referred to the Committee on Foreign Affairs and ordered to be printed

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To the Congress of the United States:

Pursuant to Section 204(c) of the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. Section 1703(c), I hereby report to the Congress with respect to developments since my report of September 22, 1981, concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979.

1. The Iran-United States Claims Tribunal provided for in the Claims Settlement Agreement of January 19, 1981 has been established at The Hague in the Netherlands. Some 5,000 claims were filed with the Tribunal by the January 19, 1982, deadline. These included 2,795 "small" claims (less than $250,000 each) of U.S. nationals and 18 "official" claims of the U.S. against Iran. Although the Tribunal has not yet completed its initial processing of all the claims, it now appears that there are, in addition, some 630 "large" claims, in the amount of $250,000 or more each, of U.S. nationals against Iran and as many as 1,500 claims by Iran, against the U.S. and its nationals. The Department of State, with the assistance of the Departments of the Treasury and Justice and other concerned government agencies, is coordinating the United States response to the Iranian claims and is preparing to assist U.S. nationals with claims against Iran.

2. Four important issues, concerning the $1 billion Security Account established in the Netherlands Settlement Bank to pay Tribunal awards, which were not resolved in negotiations with Iran were referred to the Claims Tribunal. Written submissions have been made and oral arguments have been heard. The Tribunal may decide these issues within the next few weeks. These issues concern (1) the disposition of the interest accruing on the funds in the Security Account; (2) indemnification of the Settlement Bank of the Netherlands and its parent, the Netherlands Central Bank, as manager of the funds deposited with the Settlement Bank, against any claims relating to the Security Account; (3) payment of the administrative fees of the Settlement Bank; and (4) payment of settlements with U.S. claimants worked out directly between the U.S. claimants and Iran.

3. Since my report submitted to Congress last fall, there have been no major regulatory amendments or transfers of assets by or through the U.S. government under the January 19, 1981 agreements with Iran. However, I attach herewith three excerpts from the *Federal Register* that deal with the Iranian Assets Control Regulations. The first is a notice reminding U.S. account parties, on whose behalf standby letters of credit were issued by U.S. banks in favor of Iran or Iranian entities, of the January 19, 1982 deadline for filing claims with the Claims Tribunal. The second is an amendment to the Iranian Assets Control Regulations which amends the licensing procedure for account party establishment on company books of substitute blocked accounts in favor of Iran, in lieu of payments by banks

to Iran under standby letters of credit in favor of Iran. The amendment provides extra time for obtaining a license or for establishment of such substitute blocked accounts by account parties in cases involving court orders barring payments to Iran under standby letters of credit.

Also attached is the amendment to the Iranian Assets Control Regulations that appeared in the *Federal Register* on December 7, 1981. It required U.S. banking institutions to register with the Office of Foreign Assets, Department of the Treasury, if they intended to assert claims against the escrow account at the Bank of England that was established with the deposit of $1.4 billion in January 1981. That account was established pursuant to Paragraph 2(B) of the January 19, 1981 Undertakings of the Governments of Iran and the United States, primarily for the purpose of paying non-syndicated debt claims of U.S. banks against Iran. The list of banks that registered was provided to Iran to facilitate the settlement of those bank claims against Iran.

4. Over the last six months, there have been several technical discussions with officials of Iran in The Hague concerning various aspects of the implementation of the agreements of January 19, 1981. These meetings have contributed to a better understanding of the differences between our two governments and the ways in which they might be resolved. We are continuing to explore ways in which the Tribunal's arbitral process can be made more efficient.

5. Several financial and diplomatic aspects of the crisis with Iran have not yet been resolved and continue to present an unusual and extraordinary threat to the national security and foreign policy of the United States. I shall continue to exercise the powers at my disposal to deal appropriately with these problems and will continue to report periodically to Congress on significant developments.

RONALD REAGAN.

THE WHITE HOUSE, *May 6, 1982.*

[From the Federal Register, vol. 47, No. 2, Jan. 5, 1982]

OFFICE OF FOREIGN ASSETS CONTROL

ACCOUNT PARTIES WITH STANDBY LETTERS OF CREDIT IN FAVOR OF AN IRANIAN ENTITY

Agency: Office of Foreign Assets Control, Treasury.

Action: Notice.

Summary: This notice calls to the attention of account parties who have standby letters of credit in favor of an Iranian entity, including instruments against which no demand has been made, relevant factors concerning the purposes of certain sections of the Iranian Assets Control Regulations and the approach of the January 19, 1982, deadline for filing claims with the Iran-United States Claims Tribunal.

For further information contact: Dennis M. O'Connell, Director, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220, Tel. (202) 376-0396.

Pursuant to the agreements of January 19, 1981, between the Governments of the United States and the Islamic Republic of Iran ("the Agreements"), §§ 535.212–535.215 of the Iranian Assets Control Regu-

lations, 31 CFR Part 535 ("the Regulations"), direct the transfer of property in which Iran or an Iranian entity has an interest. However, § 535.438 provides that the transfer directives contained in §§ 535.212 through 535.214 do not apply to obligations under standby letters of credit as to which a blocked account has been established under § 535.568 of the Regulation or as to which payment is prohibited under an injunction obtained by the account party. Section 535.333 excludes obligations under standby letters of credit, including accounts established pursuant to § 535.568, from the definition of Iranian properties subject to transfer under § 535.215.

Under § 535.568 of the Regulations, U.S. banks which have issued or confirmed standby letters of credit in favor of an Iranian entity are required to give notice to the account party when a demand for payment under such letter of credit has been received. Section 535.568 (b) permits the account party to obtain a specific license from the Office of Foreign Assets Control authorizing it to establish a blocked account on its books in the name of the Iranian entity for the amount payable under the credit, in lieu of payment by the issuing or confirming bank into a blocked account and reimbursement by the account party. The Regulations provide that none of the transfer directives or other provisions added after conclusion of the Agreements modify the application of the prohibitions and procedures contained in §§ 535.201 and 535.568 to transactions involving standby letters of credit. See §§ 535.333, 535.438, and 535.579(b).

When adopted, § 535.568 was intended as a temporary measure to protect United States account parties from demands against standby letters of credit during the hostage crisis. After conclusion of the Agreements, § 535.588 was continued in force to allow the account parties and Iran to negotiate disputes concerning the standby letters of credit, as well as disputes concerning the contracts underlying these instruments, where relevant. In the event that such disputes could not be resolved, the Iran-United States Claims Tribunal ("the Tribunal" (would be expected to handle standby letter of credit issues with underlying contract claims of U.S. nationals and any Iranian counterclaims arising out of the same transactions.

It has come to the attention of the United States Government that a number of account parties have been unable to resolve their disputes with Iran but have not filed claims with the Tribunal. The United States draws the attention of account parties having standby letters of credit in favor of an Iranian entity, including any such instruments against which no demand has been made, to the fact that the deadline for filing with the Tribunal is January 19, 1982. Account parties should give careful consideration to filing a claim by that time.

Account parties with questions concerning the procedures for filing statements of claim with the Tribunal are directed to notices published by the Department of State at 46 FR 58631 (Dec. 2, 1981), 46 FR 55488 (Nov. 9, 1981), 46 FR 49695 (Oct. 7, 1981), 46 FR 45057 (Sept. 9, 1981), and 46 FR 37418 (July 20, 1981). Account parties requiring further information should contact David P. Stewart, Administrator for Iranian Claims, Office of the Legal Adviser, Department of State, Washington, D.C. 20520; tel.: (202) 632–5040.

The United States notes that it could determine at some future time that it would be appropriate to modify the current policy concerning

standby letters of credit. In that event, modification or revocation of sections pertaining to those instruments could take place. Sections which might be affected in whole or in part include §§ 535.218, 535.222, 535.438, 535.568, and 535.579.

The United States Government reserves the right to require that account parties provide adequate assurances of indemnification to the United States against liability in the Tribunal if it is decided to continue the policies and procedures established in § 535.568 of the Regulations.

Dated: December 31, 1981.

DENNIS M. O'CONNELL,
Director, Office of Foreign Assets Control.

[FR Doc. 81-37480 Filed 12-31-81; 2:12 pm]

[From the Federal Register, vol. 47, No. 58, Mar. 30, 1982]

(31 CFR Part 535)

IRANIAN ASSETS CONTROL REGULATIONS: TIME TO ESTABLISH BLOCKED ACCOUNTS IN LIEU OF PAYMENTS UNDER STANDBY LETTERS OF CREDIT

Agency: Office of Foreign Assets Control, Treasury.

Action: Final rule.

Summary: The Office of Foreign Assets Control is amending § 535.588 of the Iranian Assets Control Regulations. The purposes of this amendment are: (1) To establish procedures for the establishment of a blocked account by the account party to a standby letter of credit in cases where a demand for payment is outstanding and payment was barred by a court injunction which is removed; (2) to provide that the account party may apply for a specific license providing an extension of time to establish a blocked account where a demand for payment has been made and the account party has filed a petition in an appropriate court for a judicial order barring payment of a standby letter of credit.

Effective date: March 19, 1982.

For further information contact: Raymond W. Konan, Chief Counsel, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220, Tel. (202) 376-0236.

Supplementary information: Since the Regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rulemaking, opportunity for public participation and delay in effective date, are inapplicable. Similarly, because the Regulations are issued with respect to a foreign affairs function of the United States, they are not subject to Executive Order 12291 of February 17, 1981, dealing with Federal regulations.

PART 535—IRANIAN ASSETS CONTROL REGULATIONS

Section 535.588 is amended by the addition of a new paragraph (c), the appropriate relettering of subsequent paragraphs, the addition of appropriate references to new paragraph (c), and the revision of former paragraph (b). As revised § 535.588 reads as follows:

§ 535.584 Certain Standby Letters of Credit and Performance Bonds

(a) Notwithstanding any other provision of law, payment into a blocked account in a domestic bank by an issuing or confirming bank under a standby letter of credit in favor of an Iranian entity is prohibited by § 535.201, and not authorized, notwithstanding the provisions of § 535.508, if either (1) a specific license has been issued pursuant to the provisions of paragraph (b) of this section or (2) eight business days have not expired after notice to the account party pursuant to paragraph (b) of this section.

(b) Whenever an issuing or confirming bank shall receive such demand for payment under a standby letter of credit, it shall promptly notify the person for whose account the credit was opened. Such person may then apply within five business days for a specific license authorizing the account party to establish a blocked account on its books in the name of the Iranian entity in the amount payable under the credit, in lieu of payment by the issuing or confirming bank into a blocked account and reimbursement therefor by the account party.

(c) Where there is outstanding a demand for payment under a standby letter of credit, and the issuing or confirming bank has been enjoined from making payment, upon removal of the injunction, the person for whose account the credit was opened may apply for a specific license for the same purpose and in the same manner as that set forth in paragraph (b) of this section. The issuing or confirming bank shall not make payment under the standby letter of credit unless (1) eight business days have expired since the bank has received notice of the removal of the injunction and (2) a specific license issued to the account party pursuant to the provisions of this paragraph has not been presented to the bank.

(d) If necessary to assure the availability of the funds blocked, the Secretary may at any time require the payment of the amounts due under any letter of credit described in paragraph (a) of this section into a blocked account in a domestic bank or the supplying of any form of security deemed necessary.

(e) Nothing in this section precludes any person for whose account a standby letter of credit was opened or any other person from at any time contesting the legality of the demand from the Iranian entity or from raising any other legal defense to payment under the standby letter of credit.

(f) This section does not affect the obligation of the various parties of the instruments covered by this section if the instruments and payment thereunder are subsequently unblocked.

(g) For the purposes of this section, the term "standby letter of credit" shall mean a letter of credit securing performance of, or repayment of, any advance payments of deposits, under a contract with Iran or an Iranian entity, or any similar obligation in the nature of a performance bond.

(h) The regulations do not authorize any person subject to the jurisdiction of the United States to reimburse a non-U.S. bank for payment to Iran or an Iranian entity under a standby letter of credit, except by payment into a blocked account in accordance with § 535.508 or paragraph (b) or (c) of this section.

(i) A person receiving a specific license under paragraph (b) or (c) of this section shall certify to the Office of Foreign Assets Control within five business days after receipt of that license that it has established the blocked account on its books as provided for in those paragraphs. However, in appropriate cases, this time may be extended upon application to the Office of Foreign Assets Control when the account party has filed a petition with an appropriate court seeking a judicial order barring payment by the issuing or confirming bank.

(j) The extension or renewal of a standby letter of credit is authorized.

DENNIS M. O'CONNELL,
Director, Office of Foreign Assets Control.

Approved:

JOHN M. WALKER, JR.,
Assistant Secretary (Enforcement and Operations).

[FR Doc 82-7808 Filed 3-19-82. 1:08 pm]

[From the Federal Register, vol. 46, No. 234, Dec. 7, 1981]

DEPARTMENT OF THE TREASURY, OFFICE OF FOREIGN ASSETS CONTROL

(31 CFR Part 535)

IRANIAN ASSETS CONTROL REGULATIONS: REGISTRATION OF BANK CLAIMS AGAINST THE ESCROW ACCOUNT AT THE BANK OF ENGLAND; PRECLUSION OF UNREGISTERED CLAIMS

Agency: Office of Foreign Assets Control, Treasury.

Action: Final rule.

Summary: The Office of Foreign Assets Control is amending the Iranian Assets Control Regulations. The purpose of this amendment is to require U.S. banking institutions to register in writing with the Office of Foreign Assets Control, on or before December 16, 1981, if they have, and intend to assert, claims against the account established by the deposit of $1.418 billion in escrow at the Bank of England pursuant to Paragraph 2(B) of the January 19, 1981, Undertakings of the Government of the United States of America and the Government of the Islamic Republic of Iran with Respect to the Declaration of the Government of the Democratic and Popular Republic of Algeria ("the Undertakings"). Banking institutions which do not register pursuant to this section are precluded from asserting any claim against the Escrow Account described above.

Effective date: December 4, 1981.

For further information contact: Loren Dohm, Chief, Census Unit, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220, Tel. (202) 376-0968.

Supplementary information: The Government of the Islamic Republic of Iran has requested that the Government of the United States provide it with the names of U.S. banking institutions that intend to assert claims against the account established by the deposit of $1.418 billion in escrow ("the Escrow Account," also known as "Dollar Account No. 2") at the Bank of England pursuant to Paragraph 2(B) of the Undertakings. The United States has agreed to this request.

Paragraph 2(B) of the Undertakings provides that funds retained in the Escrow Account will be used "for the purpose of paying the unpaid principal or the interest owing, if any, on the loans and credits referred to in Paragraph (A) (syndicated loans) after application of the $3.667 billion and on all other indebtedness held by United States banking institutions of, or guaranteed by, the Government of Iran, its agencies, instrumentalities or controlled entities not previously paid and for the purpose of paying disputed amounts of deposits, assets, and interests, if any, owing on Iranian deposits in U.S. banking institutions."

In complying with this registration requirement, a banking institution is asked to submit only the name of the institution, its address, and the name, title, and telephone number of an appropriate contact person. There is no requirement that additional details as to the amount or basis of the claim be provided.

Since the Regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. Section 553, requiring notice of proposed rulemaking, opportunity for public participation and delay in effective date, are inapplicable.

Similarly, because the Regulations are issued with respect to a foreign affairs function of the United States, they are not subject to Executive Order 12291 of February 17, 1981, dealing with federal regulations.

This registration requirement is not subject to the Paperwork Reduction Act of 1980, 44 U.S.C. section 3501 *et seq.*

PART 535—IRANIAN ASSETS CONTROL REGULATIONS

31 CFR Part 535 is amended by adding § 535.621 to read as follows:

§ *535.621 Registration of bank claims against the escrow account at the Bank of England*

(a) *Registration requirements.*—Any U.S. banking institution that has, and intends to assert, a claim against the account established by the deposit of $1.418 billion in escrow ("the Escrow Account," also known as "Dollar Account No. 2") at the Bank of England pursuant to Paragraph 2(B) of the Undertakings of the Government of the United States of America and the Government of the Islamic Republic of Iran with Respect to the Declaration of the Government of the Democratic and Popular Republic of Algeria, is required to register with the Office of Foreign Assets Control, in writing, on or before December 16, 1981.

(*b*) *Contents of registration notice.*—The required registration shall refer to this section of the Regulations and contain the following:

(1) Name and address of the banking institution; and

(2) Name, title, and telephone number of person who may be contacted about this registration.

(*c*) *Filing.*—One copy of this registration notice, which shall be in the form of a letter or a telex (Telex No. 710–822–9201), should be sent to Unit 621, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220. Telexed notices should also include the telephone number (376–0968) of the Census Unit. A copy of the notice should be retained for the submitter's records.

(*d*) *Failure to register.*—Any banking institution which does not submit a registration notice pursuant to this section shall be precluded from asserting any claim against the Escrow Account.

(Sec. 201–207, 91 Stat. 1626, 50 U.S.C. 1701–1706; E.O. No. 12170, 44 FR 65729; E.O. No. 12205, 45 FR 24099; E.O. No. 12211, 45 FR 28805; E.O. No. 12276, 46 FR 7913; E.O. No. 12279, 48 FR 7919; E.O. 12280, 46 FR 7921; E.O. No. 12281, 45 FR 7923; E.O. No. 12282, 46 FR 7925; and E.O. No. 12294, 46 FR 14111)

Dated: December 4, 1981.

DENNIS M. O'CONNELL, *Director.*

Approved:

JOHN M. WALKER, Jr., *Assistant Secretary.*

[FR Doc. 81-35157 Filed 12-4-81: 12:06 pm]

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